

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
HOWARD COUNTY RETIREMENT PLAN**

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

March 19, 2015

A joint meeting of the Retirement Plan Committees for the Howard County Police and Fire Employees' Retirement Plan (the "Police and Fire Plan") and the Howard County Retirement Plan (the "Employees Plan") (jointly, the "Plans") was held on Thursday, March 19, 2015 at 1:30 p.m. in the Columbia/Ellicott City Room at the George Howard Building, 3430 Court House Drive, Ellicott City, Maryland 21043.

Police and Fire Plan:

Members Present:

Acting Human Resources Administrator: Wanda Hutchinson
Director of Finance: Stanley Milesky
Chief Administrative Officer: Lonnie Robbins
Budget Director: Holly Sun
Representative, Fire and Rescue Supervisory Employees:
 Joseph L. Calo, II (Voting Member in Fiscal Year 2015)
Representative, International Association of Firefighters, Local 2000:
 Richard Ruehl

Members Absent:

Representative, Police Department Supervisory Employees:
 Jason Luckenbaugh (Non-Voting Member in Fiscal Year 2015)
Representative, Howard County Police Officers' Association, Lodge 21
 Mark Thomey

Employees Plan:

Members Present:

Acting Human Resources Administrator: Wanda Hutchinson
Chief Administrative Officer: Lonnie Robbins
Deputy Director of Finance: Rafiu Ighile
Budget Director: Holly Sun
Employee Representative: Jeff Bronow
Representative, American Federation of State, County and
 Municipal Employees Local 3080: Kim Drennon

Members Absent:

Representative, American Federation of State, County and Municipal
Employees Local 3085: Dale R. Chase

Also present for all or a portion of the meeting were:

Steve Peters, County Auditor's Office
Sima Taghavi, Department of Finance
Eric Ralph, Summit Strategies Group
Paul W. Madden, Whiteford, Taylor & Preston L.L.P.
Gary Kuc, Assistant County Solicitor
Teresa M. Reider, Retirement Coordinator
Scott Southern, Retirement Assistant, Office of Human Resources
Chuck Lindenberg, Representative of Local 3085

Wanda Hutchinson acted as Chair of the meeting and Paul Madden acted as Secretary.

The minutes of the February 26, 2015 meeting were approved by the members of both Committees. Rich Ruehl, who was absent from the meeting, abstained. There were no negative votes.

Next, James Dignan of Dodge & Cox, one of the Master Trust's two fixed income managers, provided the members of the Joint Committee with a review of the fixed income portfolio. The market value of the Master Trust assets managed by Dodge & Cox as of February 28, 2015 was \$117.4 million. Since inception on May 31, 2010, the portfolio has an annualized return of +5.59%. This is ahead of the Barclays U.S. Aggregate Bond Index which returned +4.15% over the same period.

Dodge & Cox employs fundamental research to construct and manage a high-average-quality, diversified portfolio. Dodge & Cox seeks to build portfolios with higher yields than the overall bond market. Accordingly, compounding of interest is an important source of total return.

Dodge & Cox experienced significant inflows into their funds in 2014. For the full year, the inflows were \$14 billion. Nine billion occurred after September, when Bill Gross left PIMCO. Dodge & Cox currently has \$269 billion in assets under management, including \$101.7 billion in fixed income.

Mr. Dignan noted that there are two factors in the performance of fixed income, interest rates and market price. In the short run, market price will dominate; however, in the long run interest rates will dominate. During the trailing 12 months, security selection was positive and the portfolio's taxable municipal holdings performed well, particularly the State of California General Obligation Bonds. On the negative side, the portfolio's defensive

duration positioning hampered relative returns as interest rates declined. In addition, some energy-related fixed income securities underperformed in the wake of plummeting oil prices. Dodge & Cox expects fixed income returns of +2.4% over the next three to five years. After addressing questions from the Committee and consultants, Mr. Dignan left the meeting.

Next, Ignacio Galaz and Yinyin Wu provided a report on PIMCO, the Master Trust's other fixed income manager. As of February 28, 2015, the Master Trust's account managed by PIMCO is valued at \$87.6 million. Since inception on April 30, 2010, the PIMCO account has returned +4.6% after fees as compared with the benchmark performance of +4.2%. In 2011, the fund significantly underperformed the benchmark. However, in 2012, the fund significantly outperformed the benchmark.

Mr. Galaz noted that PIMCO's founder and CEO, Bill Gross, resigned in September of 2014. There have been no other significant departures from PIMCO and PIMCO has added 14 new senior portfolio managers. While the Total Return Fund has had significant outflows, the fund has had exceptional performance despite the outflows.

Under PIMCO's new structure, Dan Ivascyn is the Group Chief Investment Officer and there are six other Chief Investment Officers. PIMCO has \$1.68 trillion in assets under management. This is despite a reduction of 10% in assets under management. Mr. Galaz also noted that the total fixed income market is \$800 trillion dollars as compared with the stock market assets of \$30 trillion. Over the next three years, PIMCO's expectation is a return of +3.5% which would represent 0.7% alpha over the expected return of the benchmark.

Next, Eric Ralph led a discussion concerning Greenspring. In the spring of 2014, the Master Trust invested \$10 million in two Greenspring funds, \$7.5 million in Greenspring Global Partners VI (GGP VI) and \$2.5 million in Greenspring Secondaries. Summit anticipated that Greenspring would start a new fund in 2017 or 2018 and that under Howard County's private equity funding plan, the Master Trust would be a likely investor in the new fund. Eric noted that Greenspring has selected the managers for GGP VI but the managers have not made their investments. As a result, Greenspring has drawn down only a fraction of the investors' commitments to GGP VI.

Greenspring is now seeking commitments for Greenspring Global Partners VII. Summit's recommendation is that the Joint Committee decline the opportunity to invest in GGP VII as the Master Trust is fully exposed to venture capital.

Next, Sima Taghavi reviewed the Statement of Revenues and Expenses Budget vs. Actual as of December 31, 2014 for the Employees Plan. Over the first six months of the fiscal year, investment income has been \$869,000 as compared with the annual budget of \$35 million, which is based on a 7.5% return. Most operating expenses are close to budget, except that the Employees Plan expended \$28,000 in legal fees (against an annual budget of \$38,000) during the first six months of the fiscal year. The higher than expected attorneys'

fees are related to the number of private equity investments made over the first six months. Sima also reviewed the statements of the fiduciary position and the statements of changes in net fiduciary position for December 31, 2014 and June 30, 2014. Net assets held in trust in the Employees Plan as of December 31, 2014 is \$342.5 million.

Next, Sima reviewed the Statement of Revenues and Expenses for the Police and Fire Plan, Budget vs. Actual as of December 31, 2014. Again, Sima noted that the budgeted investment income for the full year is \$43 million which is based on an expected 7.5% return. To date, investment income has been \$2.7 million, just far below the budget. Most operating expenses are in line with the annual budget. Exceptions are actuarial services and attorneys' fees. Actuarial fees were incurred in connection with the amendment of the Police and Plan to create DROP II. As noted in the discussion related to the Employees Plan, attorneys' fees were higher than expected because of the number of private equity investments during the first six months of the fiscal year.

Sima also reviewed the statements of the fiduciary position and the statements of changes in net fiduciary position for December 31, 2014 and June 30, 2014. Net assets held in trust in the Police & Fire Plan as of December 31, 2014 is \$417.6 million.

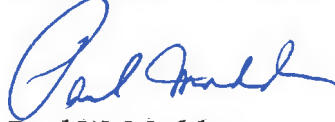
Next, Wanda Hutchinson and Terry Reider reviewed a quotation from Dell for the proposed purchase of 14 tablets for use by members of the Joint Committee in an effort to create efficiencies in the distribution of materials prepared for the monthly meetings. It was noted that the cost of the tablets would be \$7,222.46. In the course of discussion, some Committee members indicated that they would prefer paper rather than electronic versions reports created by Summit Strategies and the investment managers. It was noted that "going paperless" would not create any cost-savings for the Master Trust. After discussion, this issue of purchasing tablets was tabled.

There being no further business of the Police and Fire Plan, the meeting of the Joint Committees adjourned.

At 3:51 p.m., a motion was made by Lonnie Robbins, seconded by Rafiu Ighili to close the meeting pursuant to State Government Article Section 10-508(a)(7) to consult with legal counsel to obtain legal advice on a legal matter. Wanda Hutchinson, Lonnie Robbins, Rafiui Ighili, Holly Sun, Jeff Bronow and Kim Drennan voted in favor of the motion. There were no negative votes or abstentions. Dale Chase was absent.

During the meeting, counsel advised the members of the Committee on legal issues relating to the meaning of a term used in Section 1.431 of the Plan. At the conclusion of the closed session, the meeting for the Employees Plan adjourned.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Paul W. Madden", is written over the printed name.

Paul W. Madden
Secretary of the Meeting

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